

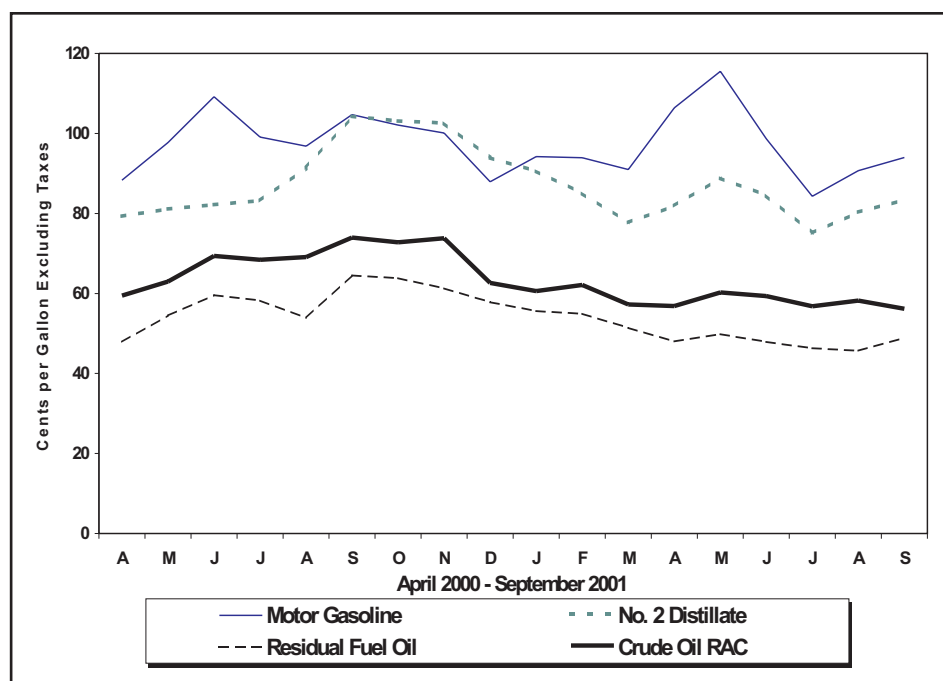
# Highlights

The combination of terrorist attacks in the United States and increasing concern about global economic conditions led international crude oil prices sharply lower in September. At the beginning of the month, prices experienced a period of increase as reports indicated tightening supplies in major markets. In the days immediately following the terrorist attacks, oil prices rose as fears of more attacks and disruptions to supply points and delivery systems influenced the direction of market prices. By mid-month, prices began a substantial decline as attention shifted to indicators of deteriorating economic conditions across international markets. While the outlook for crude oil and finished products demand appeared anemic before the attacks, forecasts indicated even more enervated prospects for demand throughout world markets in coming months.

mental Protection Agency (EPA) waiver on August 28 of anti-pollution restrictions on gasoline sold for consumption in non-attainment areas, prices remained at high levels. The EIA survey of retail gasoline prices shows the average self-service pump price for reformulated gasoline in Chicago was \$1.884 per gallon on August 3, up from the previous week's average of \$1.785. Following the September 11 terrorist attacks, retail prices in some areas of the country spiked briefly as high as \$5 per gallon, despite the absence of disruptions to supply and distribution systems. Prices for all products plummeted across the country during the latter half of the month as concern about economic recession gripped markets. Amid a drop in overall consumer confidence, subdued demand—particularly for jet fuel—and rising inventory levels were the leading factors behind the declining prices.

Crude oil and finished product prices in U.S. markets underwent significant changes during September. Many factors including a flagging economy, the terrorist attacks in New York and Washington, and refinery problems contributed to the volatility. Prices for the major products were on the rise at the beginning of the month as data showed tightening supplies. Further, crude oil prices rose in response to increased refiner purchases following the supply reports and the Organization of Petroleum Exporting Countries' (OPEC) latest round of production cuts that went into effect on September 1. Robust demand for gasoline around the long Labor Day weekend, the traditional end to the summer driving season, supported rising prices in many regional markets. Refinery outages exacerbated those conditions, especially in mid-continent markets. Despite the U.S. Environ-

**Figure HL1. Crude Oil and Petroleum Product Wholesale Prices**



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

**Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products**

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	September 2001		August 2001		September 2000		September 2001		August 2001		September 2000	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	109.2	62.1	102.5	65.0	117.5	63.1	94.0	300.8	90.7	325.0	104.8	302.5
<b>Conventional</b> .....	106.9	36.3	98.8	38.5	112.9	37.2	91.2	200.1	87.8	218.6	100.3	198.5
Regular .....	103.9	27.8	95.8	29.5	109.9	28.2	89.8	166.5	86.4	180.2	98.8	162.2
Midgrade .....	113.5	4.7	104.8	5.0	119.4	5.1	95.2	11.4	91.6	12.6	103.9	12.7
Premium .....	120.8	3.8	112.6	4.0	126.3	3.9	99.5	22.3	96.2	25.9	108.3	23.6
<b>Oxygenated</b> .....	124.0	1.9	118.5	1.7	125.1	2.0	108.2	7.8	105.5	7.2	114.2	8.1
Regular .....	121.8	1.5	116.3	1.4	123.1	1.7	106.9	6.2	104.3	5.7	113.2	6.4
Midgrade .....	129.5	0.2	123.7	0.2	131.4	0.2	110.0	1.0	108.3	1.0	113.5	1.1
Premium .....	139.3	0.1	134.6	0.1	139.8	0.1	118.2	0.6	113.9	0.5	125.8	0.6
<b>Reformulated</b> .....	111.5	24.0	107.3	24.7	123.8	23.9	98.9	92.8	95.9	99.1	113.3	95.9
Regular .....	107.4	17.4	103.0	17.8	120.4	17.2	96.2	69.4	92.7	74.8	110.9	70.8
Midgrade .....	118.3	3.3	113.5	3.5	129.7	3.5	105.4	8.0	102.4	7.7	117.1	8.5
Premium .....	126.2	3.3	123.0	3.4	135.9	3.2	107.7	15.5	107.1	16.7	121.5	16.7
<b>Aviation Gasoline</b> .....	142.5	0.1	136.3	0.1	138.2	0.2	132.8	0.6	125.9	0.8	142.5	0.7
<b>Kerosene-Type Jet Fuel</b> .....	82.3	43.1	77.9	54.6	106.1	51.9	80.7	13.1	77.6	13.8	105.1	14.9
<b>Propane (Consumer Grade)</b> .....	43.7	5.4	46.3	3.9	58.2	2.3	46.4	31.5	45.6	30.9	65.9	31.5
<b>Kerosene</b> .....	94.9	0.1	84.2	0.3	116.2	0.1	80.1	2.3	81.3	1.5	107.7	2.3
<b>No. 1 Distillate</b> .....	100.5	0.2	92.0	0.2	107.8	0.2	99.5	0.6	94.0	0.4	113.3	0.8
<b>No. 2 Distillate</b> .....	89.4	23.4	84.4	26.2	107.6	25.3	83.4	122.3	80.3	127.5	104.4	123.8
No. 2 Fuel Oil .....	88.8	2.1	82.1	2.6	105.9	2.6	79.0	18.0	77.0	17.2	100.9	19.5
No. 2 Diesel Fuel .....	89.5	21.3	84.7	23.6	107.8	22.7	84.1	104.3	80.8	110.3	105.0	104.3
Low Sulfur .....	91.5	14.3	85.8	17.0	109.9	15.5	84.9	90.3	81.5	93.7	105.6	89.1
High Sulfur .....	85.5	7.0	81.6	6.5	103.5	7.3	79.6	14.1	76.4	16.7	101.3	15.3
<b>No. 4 Fuel<sup>a</sup></b> .....	60.5	0.2	62.4	0.3	73.1	0.2	65.6	0.1	58.2	0.1	85.4	0.1
<b>Residual Fuel Oil</b> .....	53.2	12.2	51.1	13.6	62.0	12.3	48.9	7.4	45.7	9.5	64.5	11.5
Sulfur Content not > 1 % .....	62.3	2.4	60.0	3.6	75.8	2.1	51.2	4.7	50.4	4.6	71.9	5.1
Sulfur Content > 1 % .....	50.9	9.8	48.0	10.1	59.2	10.2	45.0	2.7	41.3	4.9	58.6	6.5

<sup>a</sup> Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Additional September market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

## Crude Oil

At Cushing, Oklahoma, the daily spot price for West Texas Intermediate (WTI) crude oil began September on an upward path in reaction to reports of increased buying by refiners and tight supplies. Opening at \$26.65 per barrel, the price rose gradually during the first week of the month due to supply concerns. Shortly after the events of September 11, the price reached its high of \$29.59 per barrel on September 14. Following

that point, the price began a precipitous drop amid political uncertainties and fears that a worldwide recession was near at hand. By September 24, the price had fallen to its low \$21.46 per barrel. Closing at \$23.44 per barrel, the price was \$3.21 lower than where it began the month.

- Monthly average crude oil prices fell moderately in September. The average domestic crude oil first purchase price declined 75 cents (3.2 percent), to \$22.33 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil fell 84 cents (3.8 percent), to \$21.19 per barrel. The average landed cost of foreign crude oil decreased 75 cents (3.2 percent), to \$22.78 per barrel.

- The average refiner acquisition cost for domestic crude oil dropped 36 cents (1.4 percent), to \$25.08 per barrel. The average cost of imported crude oil to U.S. refiners decreased \$1.21 (5.1 percent), to \$22.56 per barrel. The composite refiner acquisition cost for crude oil declined 84 cents (3.4 percent), to \$23.60 per barrel.

## Petroleum Products

### *Motor Gasoline*

Following the long Labor Day weekend, the daily spot price for regular gasoline at New York Harbor rose steadily during the first week of September, as the market responded to ongoing refinery problems and heavy holiday demand on tight inventories. Opening at 78.7 cents per gallon, the price moved steadily upwards during the initial days of the month. The price reached its high of 87.9 cents per gallon on September 14, then began a steep, uninterrupted descent to its low of 61.1 cents per gallon on September 25. Although it regained some ground during the final days of the month, the price closed at 67.0 cents per gallon, more than 11 cents lower than where it began September.

- Average U.S. gasoline prices increased during September. The average price for retail sales of motor gasoline by refiners rose 6.7 cents to \$1.092 per gallon. The average wholesale price increased 3.3 cents to 94.0 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets climbed 7.7 cents to \$1.107 per gallon. The average wholesale price increased 3.3 cents to 94.1 cents per gallon. The average dealer tank wagon (DTW) price rose 3.6 cents to \$1.018 per gallon, while the average rack price increased 2.7 cents to 92.9 cents per gallon. The average price for bulk sales rose 4.3 cents to 81.6 cents per gallon. Reformulated gasoline (RFG) prices topped conventional gasoline prices by 4.1 cents at retail and 6.2 cents at wholesale. Oxygenated gasoline prices were 16.6 cents higher than conventional gasoline prices at retail and 17.6 cents higher at wholesale.
- Total refiner sales of gasoline fell 27.1 million gallons per day in September (6.9 percent), to an average of 362.9 million gallons per day. Retail sales declined 2.9 million gallons per day (4.5 percent), while wholesales decreased 24.2 million gallons per day

(7.4 percent). Rack sales accounted for 65.6 percent of wholesales, while DTW and bulk sales made up 21.9 percent and 12.5 percent, respectively. Reformulated gasoline represented 32.2 percent of total motor gasoline sales, while oxygenated gasoline formed 2.7 percent.

### *No. 2 Distillate*

The September daily spot price for No. 2 heating oil at New York Harbor followed the same general trend seen for other product prices in the complex, increasing at a steady pace before the terrorist attacks then dropping sharply during the following days. Opening at 76.3 cents per gallon, the price reached its high of 82.5 cents per gallon on September 14. Falling steeply after that, the price reached its low of 60.4 cents per gallon on September 24. Closing September at 66.1 cents per gallon, the price was 10.2 cents lower than where it began the month.

- Continuing August's trend, No. 2 distillate prices rose in all sales categories in September. The national average residential price for No. 2 distillate increased 3.2 cents to \$1.175 per gallon. The average wholesale price rose 3.0 cents to 83.6 cents per gallon. The average price for No. 2 diesel fuel climbed 7.5 cents at company-operated retail outlets, while the average wholesale price rose 3.3 cents. The difference between low- and high-sulfur diesel fuel prices was 4.0 cents at retail and 3.8 cents at wholesale.
- Total sales of No. 2 distillate declined 8.0 million gallons (5.2 percent), to 145.7 million gallons per day in September. Sales of No. 2 fuel oil rose 300,000 gallons per day (1.5 percent), while sales of No. 2 diesel fuel fell 8.3 million gallons per day (6.2 percent). Low-sulfur diesel fuel accounted for 83.3 percent of all refiner diesel fuel sales, and 71.8 percent of all refiner No. 2 distillate sales.

### *Residual Fuel Oil*

- Average residual fuel oil prices increased during September. Refiner prices for low-sulfur residual fuel rose 2.3 cents to 62.3 cents per gallon at retail, and 0.8 cent to 51.2 cents per gallon at wholesale. The average price for high-sulfur residual fuel at retail increased 2.9 cents to 50.9 cents per gallon, while the wholesale price climbed 3.7 cents to 45.0 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur

residual fuel oil price rose 1.6 cents to 58.8 cents per gallon at retail. The wholesale price increased 1.3 cents to 51.4 cents per gallon. Prices for high-sulfur residual fuel oil climbed 3.8 cents to 52.7 cents per gallon at retail, and 2.5 cents to 44.5 cents per gallon at wholesale.

- Refiner residual fuel oil sales declined 3.5 million gallons per day (15.2 percent), to 19.6 million gallons per day in September. Low-sulfur residual fuel sales decreased 1.1 million gallons per day (13.4 percent), while high-sulfur residual fuel oil sales dropped 2.5 million gallons per day (16.7 percent).

### ***Other Products***

- The direction of product prices included in this section were mixed in September. Refiner propane prices declined 2.6 cents per gallon at retail, but rose 0.8 cent at wholesale. Including data from a sample of propane marketers, the average residential propane price rose 3.9 cents per gallon. The average retail price declined 1.1 cents, while the wholesale price climbed 1.0 cent. Prices for kerosene-type jet fuel, aviation gasoline, and No. 1 distillate increased at both levels. Kerosene prices rose at retail but declined at wholesale while No. 4 distillate prices did just the opposite.
- Refiner sales of propane rose at both retail and wholesale, while sales of kerosene-type jet fuel and aviation gasoline declined at both levels. Kerosene, No. 1 distillate, and No. 4 distillate sales fell at retail but increased at wholesale.